

FACTSHEET SERIES

Local budget basics

All you need to know*

What are local budgets?

Local government is a key provider of public services. To be able to do this, local authorities, or 'councils' need money. A council's budget brings together income and spending (often called revenue and expenditure). Unlike central government, local councils cannot borrow to spend, which means that councils cannot plan to spend more than the income that they get. They can use money that they have saved, and which is not allocated to a specific project – this money is called 'unallocated reserves'.



***NOTE:** Before we explore the basics of local budgets, please refer to our factsheet: *The Lowdown on Local Government* for information on what each type of local authority is responsible for.



Where does the money come from?

Devolved nations

In the devolved nations, most of the money for the budget comes from a grant from the UK government. The amount given to each nation is decided by something called the **Barnett formula**. Using this calculation means that there doesn't need to be parliamentary debate every time there is a new budget, but the formula is controversial and does not necessarily reflect the amount of money needed in each devolved nation. This grant money can be allocated to the local authorities in the devolved nations as the national governments see fit.

Additionally, there are some specific grants from government that must be spent on specific areas (e.g. pensions), and other income is raised by local taxes. One example of a local tax is the property rating system in Northern Ireland. The district rate is a tax set by local authorities on properties in their areas. This revenue can then be spent on local services.



England

In the past, most local authority funding in England also came from government grants. Although some of the money for these grants often came from local areas first, this money was sent to central government before being redistributed in the form of grants. Since 2010, this funding model has changed. Local councils are now able to keep more of the money that they collect locally instead of sending it to central government first. The money that councils raise locally comes from things like Council Tax, Business Rates, and parking charges. The amount that each council can get from these sources varies a lot. This might be because there are more expensive houses in an area, or because there are more businesses.

In 2021/22, some local authorities in England will get 50% of the money for their budget from a grant from the government, called a 'central share'. London boroughs will get 33% from the central share. On the other hand, some councils (e.g. Cornwall) won't get any money from the **central share**. Instead, they will only have money that they raise locally to make up their income because they are able to keep more of the business rates they collect.

The idea behind the change in where funding comes from is to make local councils more self-sufficient. This means that local authorities will have to become reliant on Council Tax and Business Rates to make up most of their funding. In practice, the result has been a decrease in money for local councils. In real terms, councils have lost billions of pounds in **funding from central government** (£15 billion between 2010-2020). In fact, in 2018, the Local Government Association (LGA) estimated that 60p from every pound that councils had received from the government would be cut between 2010 and 2020. These losses have not been compensated for by the money raised locally.



Why are these budgets important for women?*

Local budgets have gendered implications from both sides of the balance sheet: income and spending.



In terms of income, Council Tax, which is based on domestic property values, is not a gender-neutral tax. Housing valuations are not up to date in much of the UK. While in Scotland, the valuations of some houses were updated in 2017, in Wales tax calculations are based on 2003 house values, and in England on 1991 values. That means that houses that have increased in value are undervalued for council tax. Those kinds of properties are disproportionately owned by men. The result is that women pay a higher percentage of the tax relative to the value of their property.

Specific grants from the government that were given to deprived areas were also cut under the new funding structures, which meant that the councils with the poorest areas actually faced larger cuts to their budgets. For example, Newcastle City Council **reported** that the cuts they experienced in funding from central government from 2010 onwards were more than twice that of the national average. There are claims that this reduction in funding to councils can be linked to a reduction in life expectancy in some of those most deprived areas. In the North East, for example, women living in the poorest areas saw **life expectancy fall** by 0.85 years between 2010 and 2018.

As for services, women use council services more than men for themselves, their children, and other people they care for. This means women are more likely to be impacted by cuts to local budgets (see our factsheet: *Lowdown on Local Government*). Services that the council is not legally obliged to provide are most likely to be cut first, like libraries, youth services, and recreation facilities, all of which women and their children rely on to a larger extent.

With the lockdown resulting from the COVID-19 pandemic, it is unclear how local authorities will cope with the funding shortfall. Many local authorities lost income because people were not able to pay their Council Tax bills, and businesses closed, meaning that income from Business Rates dropped. The government provided some money to cover these losses, but they also made it more likely that councils will have to increase Council Tax by the maximum amount possible. Some have called this '**austerity by stealth**'. Local taxpayers will also have to fund the gaps in income for adult social care through an additional payment called a 'precept'. These services are some of the most used. They are also some of the most stretched services that councils are struggling to maintain. These services are more likely to both be used by women, and to employ women.

* For more detailed information, see our [pre-budget briefing](#) on the topic



Legal requirements on equality

Local authorities are legally obliged to assess policies for their impact on equality. These are often in the form of equality impact assessments (EIAs). You can find out more in our factsheet on the topic.



What next?

Join us for the Local Data Project to learn how to find the data for yourself. www.wbg.org.uk/ldp

We want you to be inspired to find out about the budget for your local authority!

You might even be inspired to find out when budget consultation meetings are. Join the discussion and ask questions. Find out what cuts are being made and whether an equality impact assessment of those cuts was conducted and published.

(Note: Some councils make this information easier to find than others, but a good place to start is by typing 'budget' or 'financial plan' into your local council's website. You can also call your council to get the information.)

Contact Emily Bell, Local Training & Partnerships Coordinator, for more information: emily.bell@wbg.org.uk